# SASKATCHEWAN DEVELOPMENT FUND CORPORATION AND SASKATCHEWAN DEVELOPMENT FUND

# 2001 ANNUAL REPORT

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

### BOARD OF DIRECTORS

Honourable Eric Cline, Chairperson
Honourable, Buckley Belanger Vice-Chairperson
Honourable Ron Osika

### OFFICERS

Mr. Don Axtell
General Manager

Mr. John Amundson
Treasurer

Ms. Dawn Stanger
Corporate Secretary

### INVESTMENT MANAGEMENT

Greystone Managed Investments Inc.

### INVESTMENT CUSTODIAN
**Saskatchewan Development Fund**

Royal Trust

### GENERAL INQUIRIES TELEPHONE NUMBERS

In Regina: (306) 787–1645
Toll free within Saskatchewan: 1-800-667-7543
Fax: (306) 787-8030

### MAILING ADDRESS

300 – 2400 College Avenue
Regina, Saskatchewan
S4P 1C8

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION AND SASKATCHEWAN DEVELOPMENT FUND

# ANNUAL REPORT

**For the Year Ended**

**December 31, 2001**

**CONTENTS**


Letter of Transmittal ..... 3

**Saskatchewan Development Fund Corporation**

History and Current Highlights – 2001 ..... 5

Management's Responsibility for Financial Statements ..... 6

Auditors' Report ..... 7

Financial Statements ..... 8

**Saskatchewan Development Fund**

History and Current Highlights – 2001 ..... 17

Management's Responsibility for Financial Statements ..... 18

Auditors' Report ..... 19

Financial Statements ..... 20

## LETTER OF TRANSMITTAL

Regina, Saskatchewan
January 30, 2002

To Her Honour
The Honourable Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual reports of the Saskatchewan Development Fund Corporation and the Saskatchewan Development Fund for the year ended December 31, 2001, in accordance with **The Saskatchewan Development Fund Act, 1974**. The financial statements are in the form approved by the Treasury Board and have been reported on by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,

Eric Cline
Minister Responsible
Saskatchewan Development Fund Corporation

102-04959/

# ANNUAL REPORT

# OF

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## FOR THE YEAR ENDED

## December 31, 2001

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## HISTORY AND CURRENT HIGHLIGHTS – 2001

The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in return received management fees and sales charges from the Fund in exchange for the Corporation's services.

In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those who wished to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those who desired an investment vehicle with combined savings and growth potential. The Corporation has annuity liabilities extending to the year 2013, although most of the annuities matured in 1996.

The Corporation continues to manage the affairs of the Saskatchewan Development Fund although it no longer offers annuities to the public. In 1985, the Corporation moved its operations to the offices of Crown Investments Corporation of Saskatchewan (CIC) and is now administered by the Saskatchewan Development Fund Corporation's Board of Directors through the use of staff and facilities provided by CIC.

In 1988, the Corporation entered into an agreement with Greystone Managed Investments Inc. (Greystone) to provide investment counsel with respect to the Corporation's investment activities. The Corporation has provided Greystone with a statement of investment policies and guidelines which were designed to provide optimum investment returns.

At December 31, 2001, the present value of the Corporation's annuities payable is $776.0 thousand on 54 outstanding annuity contracts compared to an annuity liability of $908.2 thousand on 62 annuity contracts at December 31, 2000. The annuity liability and the number of contracts outstanding have decreased steadily since their highest level in 1981 when the annuity liability reached $36.7 million on more than 700 annuity contracts.

The Corporation's net earnings for the year ended December 31, 2001 were $60.3 thousand as compared to $72.6 thousand for the same period in 2000. The decrease in net earnings is due to two main factors:

- Declining interest rates leading to lower interest revenue and,
- Lower fund management fees due to a decrease in assets under management in the Saskatchewan Development Fund.

Total assets in 2001 are $3.0 million compared to $3.1 million in 2000. The Corporation's loans receivable and investments exceed the annuity liability at December 31, 2001 by more than $2.2 million. As a result, the Corporation has an adequate level of investments to provide for future obligations. A complete list of the Corporation's investments at December 31, 2001 is on page 12.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Financial Statements have been prepared by management of Saskatchewan Development Fund Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors meets with management, and when necessary, the Corporation's external auditors E. J. C. Dudley & Co., and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

E. J. C. Dudley & Co. has audited the Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Financial Statements, appears on the following page.

Don Axtell
General Manager

January 30, 2002

## AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Development Fund Corporation as at December 31, 2001 and the statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Regina, Canada
January 30, 2002

E J C Dudley + Co.
Chartered Accountants

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF FINANCIAL POSITION

As at December 31

| | 2001 | 2000 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and short-term investments | $ 182,003 | $ 246,168 |
| Interest receivable | 6,406 | 15,669 |
| | 188,409 | 261,837 |
| Capital assets (Note 4) | 7,374 | 14,747 |
| Investments (Note 5) | 2,831,639 | 2,830,074 |
| | $ 3,027,422 | $ 3,106,658 |
| **LIABILITIES AND PROVINCE'S EQUITY** | | |
| Current Liabilities | | |
| Accounts payable | $ 8,137 | $ 7,473 |
| Due to Saskatchewan Development Fund | 7,280 | 15,319 |
| Current portion of annuities payable (Note 6) | 125,047 | 128,610 |
| | 140,464 | 151,402 |
| Annuities payable (Note 6) | 650,989 | 779,545 |
| | 791,453 | 930,947 |
| Province of Saskatchewan's Equity | | |
| Equity advances (Note 7) | 1,150,000 | 1,150,000 |
| Reinvested earnings | 1,085,969 | 1,025,711 |
| | 2,235,969 | 2,175,711 |
| | $ 3,027,422 | $ 3,106,658 |

Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

_____, Director



_____, Director

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF OPERATIONS AND REINVESTED EARNINGS

For the year Ended December 31

| | 2001 | 2000 |
|---|---|---|
| **Revenue** | | |
| Investment | $ 202,749 | $ 224,910 |
| Fund management fees (Note 9) | 39,023 | 45,722 |
| | 241,772 | 270,632 |
| **Expenses** | | |
| Interest – annuities | 108,116 | 125,200 |
| Administrative | 73,398 | 72,880 |
| | 181,514 | 198,080 |
| **Net earnings** | 60,258 | 72,552 |
| **Reinvested earnings, beginning of year** | 1,025,711 | 953,159 |
| **Reinvested earnings, end of year** | $ 1,085,969 | $ 1,025,711 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF CASH FLOWS

For the Year Ended December 31

| | 2001 | 2000 |
|---|---|---|
| **Operating Activities** | | |
| Net earnings | $ 60,258 | $ 72,552 |
| Add (deduct) non-cash items | | |
| Amortization of discounts and premiums | (127,570) | (114,064) |
| Amortization of capital assets | 7,373 | 8,476 |
| | (59,939) | (33,036) |
| Net change in non-cash working capital balances related to operations (Note 10) | 1,888 | 4,697 |
| Cash used in operating activities | (58,051) | (28,339) |
| **Investing Activities** | | |
| Purchase of investments | (698,995) | (200,434) |
| Proceeds from sale of investments | 825,000 | 275,000 |
| Collection of principal on mortgages | - | 236,497 |
| Cash provided by investing activities | 126,005 | 311,063 |
| **Financing Activities** | | |
| Repayment of annuities payable | (132,119) | (142,661) |
| Cash used in financing activities | (132,119) | (142,661) |
| **Net (decrease) increase in cash during the year** | (64,165) | 140,063 |
| **Cash and short-term investments, beginning of year** | 246,168 | 106,105 |
| **Cash and short-term investments, end of year** | $ 182,003 | $ 246,168 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2001

### 1. Summary of Significant Accounting Policies

The Saskatchewan Development Fund Corporation's (SDFC) accounting policies are in accordance with accounting principles generally accepted in Canada. The following are considered to be significant:

a) Short-term investments

Short-term investments are carried at cost which approximates their quoted market value.

b) Amortization of capital assets

Amortization of computer software is calculated on a straight-line basis over three years.

c) Investments in bonds and debentures

Investments in bonds and debentures are carried at amortized cost. Discounts and premiums in excess of $1,000 are amortized to income using the straight-line method over the remaining life of the investment.

d) Fair value of short-term financial instruments

Fair value of short-term investments including:

i) Cash and short-term investments
ii) Interest receivable
iii) Due to (from) Saskatchewan Development Fund
iv) Accounts payable
v) Current portion of annuities payable

the carrying amounts approximate fair value due to their immediate or short-term maturity.

### 2. Status of the Corporation

SDFC was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund. In 1976, SDFC also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, SDFC ceased to offer new annuities to the public.

SDFC has been designated by Order-in-Council as a corporation to which the provisions of **The Crown Corporations Act, 1993** apply. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

SDFC is a Provincial Crown corporation and therefore is not subject to Federal or Provincial income tax.

## 3. Short-term investments

Short-term investments at December 31, 2001 consist of a commercial bank deposit due March 1, 2002 carrying an interest rate of 2.15%.

## 4. Capital Assets

| | Cost | Accumulated Amortization | 2001 Net Book Value | 2000 Net Book Value |
|---|---|---|---|---|
| Computer software | $ 22,120 | $ 14,746 | $ 7,374 | $ 14,747 |

## 5. Investments

| Description | 2001 Amortized Cost | 2001 Fair Value | 2000 Amortized Cost | 2000 Fair Value |
|---|---|---|---|---|
| **Bonds and Debentures** | | | | |
| Thomson Corp. 10.550%, May 10, 2001 | $ - | $ - | $ 200,068 | $ 203,696 |
| Canada 11.250% Dec. 15, 2002 | 150,000 | 162,675 | 152,890 | 166,275 |
| Prince Edward Island 10.625%, Apr. 18, 2004 | 250,000 | 287,750 | 250,000 | 286,750 |
| Ontario Hydro 10.000%, May 10, 2009 | - | - | 400,573 | 406,200 |
| Ontario Zero Coupon $225,000, Dec. 1, 2001 | - | - | 216,823 | 213,329 |
| Canada Zero Coupon $75,000, June 1, 2002 | 73,562 | 74,337 | 70,062 | 69,587 |
| Canada Zero Coupon $50,000, Dec. 1, 2002 | 48,933 | 48,905 | 46,338 | 45,152 |
| Canada Zero Coupon $150,000, June 1, 2003 | 140,370 | 144,275 | 133,545 | 132,080 |
| Canada Zero Coupon $105,000, June 1, 2003 | 100,741 | 100,992 | - | - |
| Canada Zero Coupon $125,000, Dec. 1, 2003 | 116,261 | 117,396 | 110,067 | 107,134 |
| Canada Zero Coupon $110,000, Sept. 15, 2004 | 99,056 | 98,716 | - | - |

**5. Investments (continued)**

| Description | 2001 Amortized Cost | 2001 Fair Value | 2000 Amortized Cost | 2000 Fair Value |
|---|---|---|---|---|
| **Bonds and Debentures (continued)** | | | | |
| Canada Zero Coupon $225,000, June 1, 2005 | 191,423 | 194,051 | 181,580 | 177,343 |
| Canada Zero Coupon $200,000, June 1, 2006 | 162,191 | 162,196 | 153,619 | 149,270 |
| Canada Zero Coupon $175,000, June 1, 2007 | 135,229 | 133,523 | 127,878 | 123,452 |
| Canada Zero Coupon $353,000, June 1, 2007 | 261,455 | 269,336 | - | - |
| Canada Zero Coupon $285,000, June 1, 2008 | 208,842 | 203,610 | 197,108 | 189,368 |
| Canada Zero Coupon $285,000, June 1, 2009 | 198,724 | 190,628 | 187,206 | 178,615 |
| Canada Zero Coupon $280,000, June 1, 2010 | 185,799 | 175,552 | 174,702 | 165,236 |
| B. C. Zero Coupon $485,000, Sept. 5, 2011 | 266,227 | 271,353 | - | - |
| Canada Zero Coupon $150,000, June 1, 2011 | 95,228 | 88,253 | 89,408 | 83,523 |
| Canada Zero Coupon $125,000, June 1, 2012 | 75,566 | 69,020 | 70,817 | 65,576 |
| Canada Zero Coupon $125,000, June 1, 2013 | 72,032 | 64,831 | 67,390 | 61,695 |
| **Total Investments** | $ 2,831,639 | $ 2,857,399 | $ 2,830,074 | $ 2,824,281 |

a) Fair value of investment holdings

i) Federal and Provincial bonds, and corporate debentures

Bonds and debentures are valued at their recognized public exchange closing sale price on their valuation date.

## 6. Annuities Payable

| | 2001 | 2000 |
|---|---|---|
| Annuities payable at various interest rates, repayable in monthly, quarterly, semi-annual and annual instalments until maturity | $ 776,036 | $ 908,155 |
| Less current portion | 125,047 | 128,610 |
| Long-term portion of annuities payable | $ 650,989 | $ 779,545 |

SDFC has 54 outstanding annuities at December 31, 2001, with maturing dates ranging from 2002 to 2013. Total gross payments on remaining annuities are $1.2 million (2000 - $1.4 million) assuming all annuities run to maturity.

Fair value of annuities payable is determined by discounting future payments at current market rates. Fair value of annuities payable at December 31, 2001 is $1.0 million (2000 - $1.2 million).

Interest paid on long-term annuities payable during the year, on a cash basis, was $108.1 thousand (2000 - $125.2 thousand).

Interest Rate Risk:

The Corporation has entered into long-term investments to match maturities of annuities payable with its asset portfolio. Therefore, SDFC's exposure to interest rate risk is insignificant.

## 7. Equity Advances

SDFC does not have share capital. However, SDFC has received equity advances from its parent CIC to form its equity capitalization. The advances reflect an equity investment in SDFC by CIC.

## 8. Contingent Liability

**The Saskatchewan Development Fund Act** requires that SDFC guarantee the difference between the market value of each shareholder's investment in the Saskatchewan Development Fund (the Fund) upon redemption and the value of the shareholder's original investment (net of initial sales charges) including accrued interest on the investment at an annual rate of 5%. This guarantee applies only if the market value of the shareholder's investment is lower than the guaranteed amount.

The guarantee liability under this provision throughout 2001 did not exceed the market value of any investment redeemed in the current year. Therefore, SDFC did not pay any amounts to the Saskatchewan Development Fund's redeemed shareholders in 2001 under this provision.

## 9. Fund Management Fees

SDFC recovers the costs it incurs in the management of the Fund by charging the Fund a management fee. This fee is limited by **The Saskatchewan Development Fund Act** to the lesser of 1.25% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

## 10. Net Change in Non-Cash Working Capital Balances Related to Operations

| | 2001 | 2000 |
|---|---|---|
| Decrease (increase) in interest receivable | $ 9,263 | $ (665) |
| Increase (decrease) in accounts payable | 664 | (4,270) |
| (Decrease) increase in due to Saskatchewan Development Fund | (8,039) | 9,632 |
| | $ 1,888 | $ 4,697 |

## 11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

SDFC paid CIC $49,474 (2000 - $49,474) for accounting and technical services and lease of space under agreements between SDFC and CIC.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

# ANNUAL REPORT TO THE SHAREHOLDERS

# OF

# SASKATCHEWAN DEVELOPMENT FUND

# FOR THE YEAR ENDED

# December 31, 2001

## SASKATCHEWAN DEVELOPMENT FUND

## HISTORY AND CURRENT HIGHLIGHTS – 2001

The Saskatchewan Development Fund (the Fund) was established in 1974 as an open-end investment trust (mutual fund ) under **The Saskatchewan Development Fund Act**. Over the years, the Fund offered five types of investment accounts to the public. These were registered retirement savings plans (RRSP's), registered homeownership savings plans (RHOSP's), deferred profit sharing plans (DPSP's), registered retirement income funds (RRIF's) and regular shareholder accounts. Currently, the Fund administers only RRSP's and regular shareholder accounts.

In 1983, the Fund discontinued the sale of new shares to the public and became a discontinued open-end mutual fund. Since 1983, administration of the Fund has been focused on meeting the expectations of the Fund's clientele and on the orderly wind-down of the Fund's operations. Due to the Fund's decreasing asset base, management of the fund continues to look for cost effective ways to manage the clients investment. With this in mind, subsequent to year end, the Fund, through its Board of Directors and on advice from its investment managers, Greystone Managed Investments Inc., sold its individual asset holdings and purchased Greystone mutual funds. This action will decrease costs to the investor through reduced investment transaction fees and custodial fees. In 2002 all custodial services will be provided by SDFC instead of Royal Trust.

The Fund experienced an increase in share value during 2001. The Fund's share value closed 2001 at $9.83 per share, compared to $9.73 per share at December 31, 2000. Despite decreases in the market value of the Fund's equity investments, the Fund's significant bond holdings allowed for positive results in 2001.

The Fund's earnings decreased $41.7 thousand (or 18.6%) in 2001 to $182.0 thousand compared to earnings of $223.7 thousand in 2000. The decrease is due to the Fund's diminishing client base. Earnings returned 34.9 cents per share in 2001 compared to 36.6 cents per share in 2000. During 2001, the Fund provided a 4.80% rate of return to the shareholders compared to a three year average return of 6.33% and a five year average return of 7.73%.

The net assets of the Fund at December 31, 2001, are distributed to shareholders by type of account as listed below with comparative figures at December 31, 2000.

| | December 31, 2001 | | | December 31, 2000 | | |
|---|---|---|---|---|---|---|
| | Market Value | % | Number of Investors | Market Value | % | Number of Investors |
| Retirement Savings Plan | $ 3,274,991 | 67.2 | 90 | $ 3,520,306 | 66.9 | 100 |
| Regular Accounts | 1,600,692 | 32.8 | 106 | 1,741,608 | 33.1 | 113 |
| | $ 4,875,683 | 100.0 | 196 | $ 5,261,914 | 100.0 | 213 |

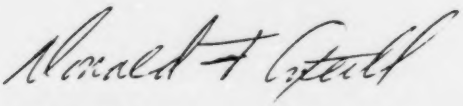
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Financial Statements have been prepared by management of Saskatchewan Development Fund Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors meets with management, and when necessary, the Corporation's external auditors E. J. C. Dudley & Co., and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

E. J. C. Dudley & Co. has audited the Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Financial Statements, appears on the following page.



Don Axtell
General Manager
Saskatchewan Development Fund Corporation

January 30, 2002

## AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of assets and liabilities of the Saskatchewan Development Fund as at December 31, 2001 and the statements of change in net assets and realized gain on sale of investments and operations for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Saskatchewan Development Fund as at December 31, 2001 and the results of its operations and the changes in net assets for the year then ended in accordance with accounting principles generally accepted in Canada.

Regina, Canada
January 30, 2002

E J C Dudley + Co.
Chartered Accountants

## SASKATCHEWAN DEVELOPMENT FUND

## STATEMENT OF ASSETS AND LIABILITIES

As at December 31

| | 2001 | 2000 |
|---|---|---|
| **ASSETS** | | |
| Investments at market value (Note 3) | $ 3,975,927 | $ 4,338,360 |
| Cash and short-term investments (Note 4) | 854,502 | 1,035,438 |
| Interest receivable | 39,655 | 48,556 |
| Dividends receivable | 2,150 | 1,737 |
| Due from Saskatchewan Development Fund Corporation | 7,280 | 15,319 |
| | 4,879,514 | 5,439,410 |
| **LIABILITIES** | | |
| Payable for shares redeemed | 288 | 173,360 |
| Other accounts payable | 3,543 | 4,136 |
| | 3,831 | 177,496 |
| **NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY** (Note 6) | $ 4,875,683 | $ 5,261,914 |
| 495,810 shares (2000 – 541,016 shares)(Notes 5 & 6) | | |
| **NET ASSET VALUE PER SHARE** (Note 7) | $ 9.83 | $ 9.73 |

(See accompanying notes)

On behalf of the Board:

_____, Director

_____, Director

## SASKATCHEWAN DEVELOPMENT FUND

## STATEMENTS OF CHANGE IN NET ASSETS AND REALIZED GAIN ON SALE OF INVESTMENTS

For the Year Ended December 31

| | 2001 | 2000 |
|---|---|---|
| **CHANGE IN NET ASSETS** | | |
| Net assets at beginning of year | $ 5,261,914 | $ 6,189,954 |
| Net earnings for the year | 182,015 | 223,676 |
| Net realized gain on sale of investments | 90,277 | 383,942 |
| Net unrealized (depreciation) appreciation of investments | (36,654) | 9,980 |
| | 5,497,552 | 6,807,552 |
| Less: | | |
| Amounts paid for shares redeemed | 621,869 | 1,545,638 |
| Net assets at end of year | $ 4,875,683 | $ 5,261,914 |
| Net asset value | $ 9.83 | $ 9.73 |
| **REALIZED GAIN ON SALE OF INVESTMENTS** | | |
| Proceeds from sale of investments | $ 9,630,233 | $ 9,567,278 |
| Cost of investments sold during the year* | 9,539,956 | 9,183,336 |
| Realized gain on sale of investments | $ 90,277 | $ 383,942 |
| ***Cost of Investments Sold During the Year** | | |
| Cost of investments at beginning of year | $ 4,069,846 | $ 4,633,172 |
| Cost of investments purchased during the year | 9,214,177 | 8,620,010 |
| | 13,284,023 | 13,253,182 |
| Cost of investments at end of year | 3,744,067 | 4,069,846 |
| Cost of investments sold during the year | $ 9,539,956 | $ 9,183,336 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND

## STATEMENT OF OPERATIONS

For the Year Ended December 31

| | 2001 | 2000 |
|---|---|---|
| **Revenue** | | |
| Interest | $ 226,892 | $ 276,676 |
| Dividends | 17,932 | 16,985 |
| | 244,824 | 293,661 |
| **Expenses** (Note 8) | | |
| Management fees (Note 9) | 39,023 | 45,721 |
| Investment management fees | 4,016 | 4,646 |
| Custodial fees | 19,770 | 19,618 |
| | 62,809 | 69,985 |
| **Net earnings for the year** | $ 182,015 | $ 223,676 |
| **Net earnings per share (in cents)** | $ 34.9 | $ 36.6 |

(See accompanying notes)

## SASKATCHEWAN DEVELOPMENT FUND

## NOTES TO FINANCIAL STATEMENTS

December 31, 2001

### 1. Summary of Significant Accounting Policies

**Valuation of investments**

The Saskatchewan Development Fund's investments are recorded at market value determined as follows:

Securities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Securities not traded on that date are valued at a price between the latest closing recorded asked and bid prices.

Securities not listed upon any exchange are valued in the same manner as above based upon any available public quotation in common use or at a price estimated to be the fair value thereof.

**Fair Value**

Cash, short-term investments, interest receivable, dividends receivable, due to (from) Saskatchewan Development Fund Corporation, other payables, and payable for shares redeemed are valued at cost which approximates their fair market value.

**Investment transactions and income**

Investment transactions are accounted for on the settlement date. Interest income is accrued monthly and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated in accordance with the average cost method.

### 2. Status of the Fund

The Saskatchewan Development Fund (the Fund) was established as an open-end investment trust in 1974 pursuant to **The Saskatchewan Development Fund Act** and is managed under the auspices of the Saskatchewan Development Fund Corporation (SDFC) which performs the duties of trustee, custodian and manager for the Fund. On July 15, 1983, the Fund discontinued the sale of new shares and became a "discontinued open-end" investment trust.

## 3. Investments

| Description | Rate | Maturity Date | Cost | Market Value |
|---|---|---|---|---|
| **Federal, Provincial and Municipal Bonds** | | | | |
| British Columbia | 6.375% | Aug. 23, 2010 | $ 28,924 | $ 29,245 |
| British Columbia | 5.700% | June 18, 2029 | 31,276 | 33,442 |
| British Columbia | 6.350% | June 18, 2031 | 13,927 | 14,250 |
| Canada | 5.250% | Sept. 1, 2003 | 410,063 | 412,909 |
| Canada | 5.750% | Sept. 1, 2006 | 304,737 | 303,558 |
| Canada | 4.500% | Sept. 1, 2007 | 52,797 | 52,955 |
| Canada | 6.000% | June 1, 2008 | 75,463 | 75,684 |
| Canada | 6.000% | June 1, 2011 | 153,199 | 153,916 |
| Canada | 5.250% | June 1, 2012 | 96,011 | 94,777 |
| Canada | 11.250% | June 1, 2015 | 64,351 | 64,688 |
| Canada | 9.000% | June 1, 2025 | 113,776 | 113,932 |
| Canada | 5.750% | June 1, 2029 | 118,801 | 118,638 |
| Canada | 5.750% | June 1, 2033 | 93,151 | 95,272 |
| Export Development Corp | 6.200% | June 22, 2010 | 30,288 | 31,304 |
| Manitoba | 5.850% | Jan. 25, 2011 | 24,108 | 24,194 |
| Manitoba | 5.500% | Nov. 15, 2018 | 17,775 | 18,759 |
| New Brunswick | 8.750% | Apr. 19, 2005 | 55,003 | 52,365 |
| New Brunswick | 6.000% | Dec. 27, 2017 | 94,051 | 95,829 |
| Newfoundland | 6.550% | Oct. 17, 2030 | 23,822 | 24,359 |
| Nova Scotia | 5.500% | Mar. 15, 2006 | 18,928 | 19,629 |
| Nova Scotia | 6.400% | Sept. 1, 2010 | 20,438 | 20,724 |
| Ontario | 4.875% | June 2, 2004 | 29,635 | 29,816 |
| Ontario | 4.215% | Jan. 25, 2005 | 25,964 | 26,041 |
| Ontario | 7.750% | July 24, 2006 | 51,588 | 52,856 |
| Ontario | 6.200% | Nov. 19, 2009 | 18,698 | 19,780 |
| Ontario | 6.500% | Mar. 8, 2029 | 37,421 | 37,603 |
| Ontario | 5.700% | Oct. 31, 2011 | 20,266 | 19,940 |
| Quebec | 6.500% | Dec. 1, 2005 | 44,858 | 47,089 |
| Quebec | 6.500% | Oct. 1, 2007 | 47,721 | 48,914 |
| Quebec Finance Corp. | 6.250% | Dec. 1, 2015 | 20,917 | 21,203 |
| Saskatchewan | 4.750% | Dec. 1, 2006 | 19,913 | 19,887 |
| Saskatchewan | 5.500% | June 2, 2008 | 28,845 | 29,222 |
| Saskatchewan | 5.750% | Mar. 5, 2029 | 10,934 | 11,265 |
| Saskatchewan | 6.400% | Sept. 5, 2031 | 9,272 | 9,221 |
| | | | 2,206,921 | 2,223,266 |

**3. Investments (continued)**

| Description | Rate | Maturity Date | Cost | Market Value |
|---|---|---|---|---|
| **Corporate Debentures** | | | | |
| 407 International | 6.900% | Dec. 17, 2007 | $ 25,354 | $ 26,950 |
| Associated Capital | 5.750% | Aug. 17, 2006 | 21,981 | 22,608 |
| Bank of Nova Scotia | 7.310% | Dec. 31, 2010 | 11,171 | 11,595 |
| Bank of Nova Scotia | 5.650% | July 22, 2013 | 4,976 | 5,016 |
| Bell Canada | 6.000% | May 1, 2003 | 11,000 | 11,416 |
| Borealis Enersource | 6.270% | May 3, 2011 | 21,044 | 21,396 |
| Canada Trustco Mortgage | 6.000% | Sept. 13, 2004 | 43,893 | 46,141 |
| Enbridge Inc. | 5.450% | Apr. 12, 2006 | 25,061 | 25,462 |
| Epcor Utilities | 6.750% | Mar. 22, 2016 | 10,986 | 10,590 |
| Citibank Canada | 6.400% | July 28, 2003 | 14,985 | 15,803 |
| Citibank Canada | 5.800% | July 23, 2004 | 9,989 | 10,457 |
| Citibank Canada | 6.550% | July 28, 2005 | 14,987 | 15,960 |
| Coca Cola | 6.700% | July 24, 2003 | 11,999 | 12,624 |
| Ford Credit | 6.000% | Mar. 8, 2004 | 38,098 | 38,695 |
| Genesis Trust | 6.428% | Nov. 15, 2003 | 18,000 | 18,969 |
| Genesis Trust | 6.869% | Feb. 15, 2005 | 10,000 | 10,748 |
| GMAC | 5.850% | Mar. 28, 2005 | 21,954 | 22,075 |
| Greater Toronto Airport | 5.950% | Dec. 3, 2007 | 49,922 | 51,166 |
| Greater Toronto Airport | 6.700% | July 19, 2010 | 11,984 | 12,424 |
| Greater Toronto Airport | 6.450% | July 30, 2029 | 17,958 | 16,669 |
| Gloucester Credit Card | 5.693% | Mar. 15, 2006. | 16,169 | 16,473 |
| Hollis Trust | 6.205% | Sept. 21, 2004 | 20,005 | 20,035 |
| Investors Group Inc. | 6.750% | May 9, 2011 | 16,949 | 17,471 |
| Loblaws Ltd. | 6.000% | June 2, 2008 | 10,683 | 11,251 |
| Loblaws Ltd. | 6.500% | Jan. 19, 2011 | 9,187 | 9,308 |
| Manulife Financial | 6.700% | June 30, 2012 | 11,000 | 11,064 |
| Merrill Lynch | 6.750% | Sept. 15, 2010 | 13,110 | 13,397 |
| Merill Lynch | 6.790% | Apr. 15, 2011 | 15,391 | 15,458 |
| Merill Lynch | 5.660% | Jan. 12, 2011 | 13,994 | 14,142 |
| Nav Canada | 6.600% | Dec. 1, 2006 | 30,789 | 30,850 |
| Nova | 6.000% | Jan. 31, 2008 | 29,794 | 30,745 |
| RBC Capital | 7.288% | June 30, 2010 | 13,000 | 13,692 |
| Royal Bank | 6.750% | June 4, 2007 | 42,892 | 42,600 |
| Royal Bank | 7.100% | Jan. 25, 2010 | 11,527 | 11,818 |
| TD Bank | 6.550% | July 31, 2007 | 18,977 | 20,075 |
| TD Bank Capital | 7.600% | Dec. 31, 2009 | 23,988 | 24,830 |
| | | | 692,797 | 709,973 |

**3. Investments (continued)**

**Equities**

| | Cost | Market Value |
|---|---|---|
| AGF Management Ltd. (1,030 Class B shares) | $ 25,405 | $ 25,441 |
| Bank of Montreal (1,280 common shares) | 46,401 | 45,952 |
| Bank of Nova Scotia (1,630 common shares) | 62,425 | 79,804 |
| Barrick Gold (1,230 common shares) | 31,891 | 31,303 |
| Bombardier Inc. (2,410 Class B shares) | 17,412 | 39,765 |
| CAE Inc. (1,540 common shares) | 15,765 | 17,819 |
| Cameco Corporation (1,065 common shares) | 31,649 | 41,801 |
| Cdn. National Railway (760 common shares) | 30,726 | 58,292 |
| Cdn. Natural Resources (650 common shares) | 15,230 | 24,901 |
| Celestica Inc. (560 sub voting shares) | 19,936 | 35,840 |
| CGI Group Inc. (1,130 Class A shares) | 12,628 | 13,842 |
| Domtar Inc. (1,770 common shares) | 29,618 | 28,338 |
| Finning International (970 common shares) | 18,777 | 19,400 |
| IPSCO Inc. (1,045 common shares) | 22,326 | 19,332 |
| Loblaws Ltd. (680 common shares) | 17,546 | 35,360 |
| Magna International Inc. (520 Class A shares) | 42,796 | 52,572 |
| Methanex Corporation (1,640 common shares) | 19,123 | 14,465 |
| Micrologix Bio Tech (1,410 common shares) | 15,507 | 1,495 |
| Manulife Financial Corp. (720 common shares) | 29,008 | 29,952 |
| Nortel Networks (1,103 common shares) | 15,639 | 13,126 |
| Open Text Corp. (400 common shares) | 17,071 | 18,932 |
| Penn West Pete (580 common shares) | 16,132 | 20,532 |
| Petro Canada (770 common shares) | 15,764 | 30,269 |
| Power Corporation of Canada (1,080 common shares) | 32,584 | 42,077 |
| Power Financial Corporation (1,070 common shares) | 21,268 | 40,767 |
| Premdor Inc. (970 common shares) | 13,558 | 19,099 |
| Quebecor World (610 common shares) | 21,116 | 21,887 |
| Royal Bank (1,490 common shares) | 48,361 | 77,227 |
| Royal Group Tech. (10 sub voting shares) | 260 | 294 |
| SNC Lavalin Group (220 common shares) | 5,764 | 6,358 |
| Talisman Energy Inc. (350 common shares) | 14,118 | 21,175 |
| Toronto Dominion Bank (1,580 common shares) | 62,383 | 64,906 |
| Transalta Corp. (760 common shares) | 17,644 | 16,416 |
| Teknion Corp. (620 sub-voting shares) | 10,914 | 6,727 |
| TransCanada Pipeline (1,370 common shares) | 27,604 | 27,222 |
| | 844,349 | 1,042,688 |
| **Total Investments** | $ 3,744,067 | $ 3,975,927 |

## 4. Short-term Investments

Short-term investments consist of Government of Canada treasury bills and commercial bank deposits due on or before July 18, 2002 and carry an average interest rate of 2.74%.

## 5. Taxation

The Fund qualifies as a mutual fund trust under **The Income tax Act** and is fully registered to administrate four types of equity accounts. These are registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and regular shareholder accounts.

## 6. Shareholders' Equity

a) Shareholders' equity includes the amounts representing the shareholders' net initial investments, reinvested earnings, realized gains or losses on sale of investments and unrealized appreciation or depreciation of investments.

b) The shares of the Fund are redeemable at the option of the holder in accordance with the provisions of **The Saskatchewan Development Fund Act** and with respect to the taxation status of the shareholder's account. The Fund is now a "discontinued open-end" investment trust and has taken on no new contributions since July 15, 1983 except where contractual arrangements had been made prior to July 15, 1983.

## 7. Net Asset Value Per Share

The net asset value per share as at the end of the years indicated was as follows:

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2001** | **2000** | **1999** | **1998** | **1997** |
| Net asset value per share | $ 9.83 | $ 9.73 | $ 9.09 | $ 9.07 | $ 8.83 |

## 8. Expense Ratio

The following is the ratio of all expenses of the Fund, expressed as a percentage of the average of the net assets calculated for the purpose of the redemption of shares of the Fund, as at each valuation date of the Fund:

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | **2001** | **2000** | **1999** | **1998** | **1997** |
| Expense ratio | $ 1.23% | $ 1.19% | $ 1.22% | $ 1.15% | $ 1.01% |

## 9. Management Fees

SDFC recovers the costs it incurs in the management of the Fund by charging the Fund a management fee. This fee is limited by **The Saskatchewan Development Fund Act** to the lesser of 1.25% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

## 10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market under normal trade terms. These transactions and amounts outstanding at year end are as follows:

| Category (as per financial statements) | 2001 | 2000 |
|---|---|---|
| Interest receivable | $ 610 | $ 435 |
| Interest income | 3,379 | 7,545 |
| Net realized gain (loss) on disposal | 1,000 | (6,790) |

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.